

Message Text

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STADIS////////////////////////////////////

E X D I S

FOR: SECRETARY KISSINGER FROM PETER PETERSON

E.O. 11652: GDS

TAGS: ENRG, SA

SUBJ: SAG EFFORTS ON LIFTING OIL BOYCOTT

1. GEORGE BALL AND I MET WITH SAUDI MINISTER OF STATE FOR FOREIGN AFFAIRS OMAR SAQQAF ON JAN 29 AND TOLD MINISTER YOU HAD ASKED ME TO TRANSMIT YOUR WARM REGARDS AND PERSONAL ESTEEM. SAQQAF SEEMED QUITE PLEASED; HE SAID THAT YOU WERE A SINCERE AND HARD WORKER FOR THE CAUSE OF PEACE, AND THAT EVENTS HAD SHOWN YOU MEANT EXACTLY WHAT YOU SAID. HE ASKED THAT I PASS ON TO YOU HIS BEST WISHES, AND HIS ASSURANCES THAT YOUR SENTIMENTS WERE FULLY RECIPROCATED. HE ALSO SPOKE WARMLY OF JIM AKINS.

2. ALLUDING TO MY CONVERSATION WITH YOU OF JAN 26, I SAID YOU HAD EXPRESSED TO ME HOW IMPORTANT IT WAS THAT THE ARAB OIL BOYCOTT AGAINST THE UNITED STATES PROMPTLY BE LIFTED, AND YOU EARNESTLY HOPED SAG COULD CONTINUE ITS HELPFUL EFFORTS TO BRING IT ABOUT.

3. SAQQAF REPLIED THE SAG HAD BEEN IN CONTACT WITH A NUMBER OF ARAB OIL PRODUCERS AND OTHER ARAB STATES AND FELT THAT IT HAD NOW OBTAINED SUFFICIENT CLEARANCES FOR IT TO CONSIDER LIFTING THE BOYCOTT. WHEN THIS HAPPENS, HE ADDED, THE BOYCOTT WOULD BE TOTALLY LIFTED
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AGAINAT THE U.S.

4. HIS VIEWS ON THE ARAB LINEUP FOLLOW:

- (A) QATAR: SUPPORTS SAUDI ARABIA IN AN IMMEDIATE LIFTING OF THE BOYCOTT;
- (B) ALGERIA: SO FAR UNCOMMITTED, BUT SAQQAF BELIEVED ITS RESERVATIONS COULD BE OVERCOME;
- (C) KUWAIT: AFTER SOME INITIAL DIFFICULTY, THE DIFFERENCES IN VIEW BETWEEN SAUDI ARABIA AND THE GOK HAVE NOW BEEN RESOLVED;
- (D) SYRIA: SYRIA, TOO, HAD OBJECTIONS BUT COULD BE PERSUADED TO GO ALONG;
- (E) LIBYA: LIBYA WAS OPPOSED TO ANY MOVE THAT WOULD FAVOR THE U.S., BUT ITS VIEWS WERE OF NO ACCOUNT SINCE THEY WERE SHIPPING OIL ANYWAY;
- (F) EGYPT: SADAT, OF COURSE, HAD BEEN HELPFUL ALL ALONG.

5. ON THE ASSUMPTION THAT THE BOYCOTT WOULD SOON BE LIFTED, THE QUESTION NEXT AROSE "WHAT WOULD SAUDI PRODUCTION LEVELS BE THEREAFTER?" SAQQAF SAID MATTER UNDER ACTIVE STUDY. HE NOTED PRODUCTION HAD EXCEEDED 8 MILLION B/D BEFORE THE BOYCOTT WAS IMPOSED. BUT THAT SOME EXPERTS STATED 5 MILLION B/D WOULD PROVIDE MORE THAN ENOUGH INCOME FOR ALL OF SAUDI ARABIA'S NEEDS. HE STATED HIS PERSONAL VIEW WAS THAT INCREMENTS ABOVE PREVIOUS LEVELS OF PRODUCTION SHOULD COME OUT OF NEW, PREVIOUSLY EXPLOITED RESERVES. AT THE SAME TIME, HOWEVER, HE ASSURED ME THE SAG WAS CONSCIOUS OF ITS INTERNATIONAL RESPONSIBILITIES, AND HAD NO DESIRE TO HURT ANYONE ..."EITHER OTHERS OR OURSELVES." MY PERSONAL GUESS IS THAT THE LEVEL OF PRODUCTION WILL DEPEND UPON POLITICAL AND ECONOMIC PROGRESS.

6. BEFORE THE END OF THE MEETING SAQQAF SAID THAT ALTHOUGH THE ISRAELI WITHDRAWAL WAS GOOD, AS AN ACHIEVEMENT IT WAS NOT A SUFFICIENT END IN ITSELF: WITHDRAWAL MUST SOON BE FOLLOWED BY FURTHER SIGNS OF CONTINUOUS U.S. EFFORTS TO BRING ABOUT A JUST AND PERMANENT SETTLEMENT TO THE MIDDLE EASTERN PROBLEMS. HE LEFT ME WITH THE CLEAR IMPRESSION THAT OTHERWISE
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THE ARABS MIGHT HAVE TO CONSIDER RESORTING TO THE OIL WEAPON A SECOND TIME.

7. THE IMPLICATION THAT RAN THROUGH THE DISCUSSION WAS A SAUDI ASSUMPTION THAT THE USG WAS IN POSITION TO MAKE THE ISRAELIS DO WHATEVER WE WISHED AND AS SOON AS WE WISHED. SAUDI EXPECTATIONS SEEM EXTREMELY AMBITIOUS WITH REGARD BOTH TO THE TIMING AND SUBSTANCE OF A SETTLEMENT AND, AS EXPECTED, SAQQAF TOOK AN ABSOLUTELY UNYIELDING LINE WITH REGARD TO JERUSALEM. ON THAT POINT, HE SAID, FAISAL WOULD YIELD NOTHING, AND I HAD THE IMPRESSION THAT IF THE JERUSALEM SOLUTION SHOULD TURN INTO A PROTRACTED AND DIFFICULT HAGGLE, WHICH SEEMS

LIKELY, THAT COULD WELL BE THE POINT ON WHICH FAISAL
WOULD BE MOST TEMPTED TO USE OR THREATEN TO USE THE OIL
EMBARGO WEAPON.

8. ON THE QUESTION OF PRICES THE MINISTER SAID THAT
KING FAISAL HAD PUBLICLY STATED THAT PRESENT PRICES
WERE TOO HIGH AND WAS IN THE PROCESS OF CONTACTING
OTHER PRODUCING STATES TO TRY TO PERSUADE THEM TO
ADOPT A MORE REALISTIC PRICE STRUCTURE. HE SAID THAT
VENEZUELA HAD STARTED THE MOVE TOWARD EXCESSIVE PRICES,
THEN IRAN AND OTHER COUNTRIES HAD HELD AUCTIONS. HE
IMPLIED THAT THE GREATEST OBSTACLE T

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